

U. C. Building Fund
Lampson's statement
into interest

UPPER CANADA BUILDING FUND.

Up to the year 1859 the capital of the various Trust Funds was invested from time to time as it accumulated, in our own or in other Debentures; but in 1859, when Sir Alex. Galt converted a large portion of our debt from 6 per cent to 5 per cent, he redeemed all our 6 per cent Debentures held for Trust Funds, and from that time those funds, or such parts of them as were not invested in other Debentures than our own, were treated as book accounts, and were allowed interest on their quarterly balances at 5 per cent, the interest being added to the principal at the end of each year—This was in fact a considerable gain to the funds, as the investments were only made at intervals, and a good deal of the capital often lay uninvested. The Upper Canada Building Fund account has ever since been kept upon this principle.

The settlement of the Seigniorial question was only brought into our books in 1866, as until that time we had not received the final report of the Commissioners; and in order to make the subject intelligible, it may be necessary to recite the provisions of the various Acts in as far as they bear upon this subject.

In 1854 three local revenues were set apart for the partial compensations of Seigneurs, viz., the seignior of Lauzon, Shop, Tavern and Auction licenses, and the droit de Quint. The Act provides:—

"That the total amount of money to be paid under this Act shall not exceed by more than £150 the sum of which the average yearly proceeds of the other sources of Revenue hereinafter mentioned, upon an average of the last five years, would be yearly interest at 6 per cent per annum, added to the value of the Crown rights in the Seigniories affected by this Act."

In accordance with this provision the Seignior of Lauzon and the Licenses were valued, but the Quint was not then valued. The Commissioners, whilst valuing the Seigniories, were instructed to value the Quint also, and when that value was ascertained, instead of adding it to the capital of the fund, they deducted it from the capital payable to the Seigneurs, which, in connection with the subsequent legislation in 1859, obviously produces the same result. The other local funds were valued, producing, together with the proceeds of an old Commutation Fund, altogether a capital of \$858,253.73, exclusive of the \$600,000 above mentioned.

It was further provided by the same Act, that "separate accounts shall be kept of all moneys arising from the sources of Revenue aforesaid; and if the moneys disbursed under this Act, allowing interest on both sides at the then current rate on Provincial Debentures, to the end that, if the sums payable out of the Consolidated Revenue Fund under this Act shall exceed in the whole the total amount of the sums arising from the sources of Revenue so specially appropriated, and any interest allowed thereon as aforesaid, a sum equal to such excess may be, and the same shall be, set apart to be appropriated by Parliament for some local purpose or purposes in Upper Canada."

It would therefore appear to have been the intention of the Act of 1854 that interest should be allowed on the capital representing the local revenues only; and that whenever anything became payable beyond the proceeds of these revenues, so as to trench upon the \$600,000 by which it was permitted to exceed them, a similar amount to such excess should be set apart for Upper Canada.

But the Act of 1855 provides that the Receiver General shall, from time to time, place any moneys in his hands as part of the Fund appropriated by the said Act (that of 1854,) and not then required for the purpose thereof, at interest in any chartered Bank, or invest the same in Provincial Debentures, or Debentures guaranteed by the Province, and shall apply the interest thereon towards making good that allowed by this Act; and in the preceding section the Receiver General is required to "credit the Fund appropriated by the said Act in aid of the censitaires, with interest from the passing of this Act on the total amount of the appropriation."

Under these provisions, a fund was established consisting of the capital of the local revenues, of the balance of the old Commutation Fund, and of the \$600,000 from Consolidated Fund, and it was kept as an interest account at six per cent. from that time until the fund was finally closed.

In 1857 the Upper Canada Building Fund was established, to consist of the proceeds of the old Lunatic Asylum tax, and the marriage licenses, and it was provided that "all moneys which by any Act are directed to be applied or reserved for Upper Canadian purposes, but not otherwise specially appropriated by law, shall be paid into and form part of the Upper Canada Building Fund."

Under this Act, the £600,000 to be appropriated to some local purpose in Upper Canada, under the Seigniorial Act of 1854, and the equivalent to which in Lower Canada had been constituted by the Act of 1858 of part of the Seigniorial Fund bearing 6 per cent. interest, ought to have been added to the U. C. Building Fund. I accordingly prepared a statement of that fund, which appears in the Public Accounts of that year, p. 250, adding to it the £150,000, and allowing interest from the same date and at the same rate, as had been done in the case of the Seigniorial Fund. Mr. Cayley, however, who was Minister of Finance at that time, would not allow the capital of the Fund to be then increased, as it could be done at any time, and interest counted on it, whenever required. No change was therefore made in the U. C. Building Fund as it stood in our books until 1866, when the whole Seigniorial Legislation was first dealt with.

In 1859 another Seigniorial Act was passed, charging Consolidated Fund with the payment in full of the compensation to Seigneurs, to the extent which was not covered by the Seigniorial Fund of 1854, and for any additional amount so payable out of Consolidated Fund Upper Canada and the Townships were to get compensation. But it was not known at that time what the capital of the Seigniories would amount to, and it was not until 1866 that we were in a position to bring the account properly into our books. As Upper Canada and the Townships were to have their compensation based upon what would have been payable over and above what was covered by the capital of the Fund at the time of the passing of that Act, it was necessary to ascertain what the capital of the fund would have been, if we had known of all the charges which would come against it at that date; and this was done by discounting back to May 4th, 1859 all payments subsequently made, excepting those for interest to the Seigneurs; and the capital so remaining, or which would have been so remaining at that date, was ascertained to be \$697,824 97. Upon everything which had been paid before that date, including the available balance of the fund, U. C. had had compensation in the Building Fund, and upon every thing payable thereafter it was compensated in the Municipal Loan Fund Indemnity account.

At the same time the account of the U. C. Building Fund was reconstructed, and \$600,000 the capital, with \$174,577.70 interest at 6 per cent to May 4th, 1859, and \$323,840.88 interest at 5 per cent from May 4th, 1859, was brought to its credit. The question is whether these latter entries are correct; and first as to the interest to May 4th, 1859.

I stated to the Committee my impression that in this respect the fund had been short credited, as it was only allowed simple interest, whilst it should have been allowed compound interest. When this subject was brought up by Mr. Wood I asked the Bookkeeper how he had calculated the interest, who said it appeared to be at simple interest, and as the sum was evidently a little less than 5 years interest, which corresponded with the interval between the Acts of 1854 and 1859, I enquired no further. But upon going into the calculation for the purpose of this answer, I find that it is at compound interest from the date of the passing of the Act of 1854. I doubt however whether it was correct to take that date, as it was only the Act of 1855 which created a fund to bear interest, and it was from May 4th, 1855 that the interest had previously been calculated on the Seigniorial Fund, and that I had calculated it on the Building Fund in the Public Accounts of 1857. I find, however upon reference to the original calculations that the Seigniorial Fund as well as the Building Fund were entirely reconstructed in 1866, and in both cases the interest was made to count from December 18th, 1854, so that as between the two Provinces it is immaterial which date was taken.

As to the interest since 1859, I understood Mr. Wood to argue that, because the balance left of the fund at that date exceeded the \$600,000 given in compensation to Upper Canada, and because that balance represents a portion of the capital of the Seigniories on which we are paying six per cent., and for which Upper Canada has had no compensation otherwise, it ought to be allowed six per cent interest on that portion at least of the Building Fund. In other words, that we are to consider all previous payments to have been made out of the special revenues, and that the \$600,000 from Consolidated Fund remained intact. Had we been working upon the Act of 1854 alone, I think that would have been the proper interpretation of the Act; but in that case, the claim of Upper Canada to any compensation would not have accrued until the special revenues were exhausted, which would not have been till about 1859, and thereafter an equivalent amount would from year to year have been payable to the Upper Canada Building Fund, as Consolidated Fund was drawn upon for further expenses up to \$600,000. Instead of which Upper Canada has had the whole at interest since 1855.

It is however useless to speculate upon what would have been the result, if we had been working on the Act of 1854 alone. The Act of 1855 created a fund out of the \$600,000 and the special revenues together, the whole bearing interest, and from that date it appears to me perfectly clear that no distinction can be made between the one sum and the other, or that any payment can be supposed to have been made from the special revenues alone, and not equally from the subvention from Consolidated Fund. The \$697,824 which was left of the fund in 1859 was not therefore the \$600,000 from Consolidated Fund and some small balance from the special revenues; but it was what remained of an undivided \$1,458,253, upon the larger portion of which Upper Canada had no claim to compensation at all. Giving the greatest weight possible therefore to Mr. Wood's argument, it appears to me that it is only upon about \$287,120 of the Building Fund that any claim can be advanced by Upper Canada to receive 6 per cent. interest.

But I go further, and contend that they have no right to any more than 5 per cent. since 1859 upon any portion of the fund. In 1856, when, instead of waiting until it might be required, the \$600,000 from Consolidated Fund was added to the Seigniorial Fund, and made to bear interest, a similar amount ought to have been placed to the credit of Upper Canada, and similarly treated. At any rate, in 1857, when the Building Fund was created for the express purpose of containing any sums applicable to local purposes in Upper Canada, \$600,000 should have been placed to its credit with interest from June 1, 1855, as I gave the statement of the fund in the public accounts of that year. The account between the two Provinces would then have been squared, and the proceeds of the \$600,000 would have formed part of the fund, undistinguishable from any other portion, and could not have been affected by any subsequent legislation respecting the Seigniorial tenure. It was not done then, but in 1860 the addition was made to the fund, at such rates of interest, as to place it in the same position as it would have been if the entries had been made at the time.